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INDUSTRIAL PRODUCTION FIGURES

Product	Prod. in 1st 7 mo of 1986	1st 7 Mo. 86 as % of same of 85
Elect. (b.kw.hrs)	925	104%
Petroleum (inc. gas cond.)(mil. metric tons)	354	103%
Nat. Gas (b.cu.mtr)	394	107%
Coal (mil. metric tons)	440	104%
Steel (mil. met. tons)	93.9	106%
Fertilizer (mil.tons)	20.2	107%
Metal-cutting tools (mil. rubles)	1,680	111%
Robots (in 1000s)	8.7	129%
Computer Technology (bil. rubles)	1083	105%
Tractors (mil. hp)	32.0	105%
Paper (mil. metric tons)	3.6	106%
Cement (mil. metric tons)	78.4	105%
Meat(mil. metric tons)	5.9	108%
Margarine (1000 tons)	812	105%
Watches (mils)	40.7	104%
Radios (mils)	5.2	105%
TV sets (mils)	5.5	102%
Automobiles (1000s)	772	99.9%

LIVESTOCK
(in thousand tons)

	Jan-July 1986	Jan-July 86 as % of Jan-July 85
Cattle	6.130	107%
Hogs	2.749	107%
Sheep & Goats	354	98%
Chickens	1.485	112%

INDUSTRIAL PRODUCTION FIGURES FOR THE FIRST SEVEN MONTHS OF 1986

The Soviets continue to increase their oil output. Oil production rose 4% in July 1986, compared to what it had been in July 1985. For the seven months as a whole, production is up 2.3%, even though the official Soviet statistics indicate that it was up 3%. The month to month growth is not as much as it was on a June to June basis, but it still continues to pull up the overall growth for the whole seven month period.

There are some commentators who continue to refer to the drop in oil production, including several reporters. Certainly the Soviet decision to reduce petroleum exports to Western Europe by 100,000 barrels a day is a reflection more of a desire to cooperate with OPEC than any response to the drop in production. In fact for the year as a whole, production should now reach close to 610 million tons, assuming that production continues at the present rate for the remaining five months of the year.

A particularly intriguing aspect of the seven month report is the fact that electrical generation continues as a relatively respectable rate of growth. The Soviets have indicated at the meeting about Chernobyl, which took place in Vienna, that they were reinspecting about half of the Chernobyl-type graphite reactors used to generate electricity. That would suggest that some of them have been closed down. However, on a July to July basis, electrical generation in July 1986 is up 3.4% from July 1985. For the whole seven month period, production is up 3.8%, or rounded off to 4.0%, as reported officially by the Soviets. In fact, electrical generation seems to have not been effected at all, at least according to the statistics, from May through July. We also know that there have been reports of electrical shortages and brown outs, particularly in the Ukraine. Nonetheless, the electrical generation for the nation does not seem to have been effected. In other words, there doesn't seem to be a correlation between the statement that some reactors have been closed down and the fact that the statistics show growth almost as normal. There doesn't even seem to be much impact from the fact that reactors 3 and 4 at Chernobyl have been shut down. The implication is that the Soviets are continuing to run the other reactors and making adjustments while production proceeds. Indeed, even during the experiment that set off the explosion, the Soviets waited at least temporarily until they could provide the electricity they needed before they began the full experiment.

Other indices of note include steel production, which is up a robust 6% for the entire seven months, and coal production which is up 4%.

As a whole, the growth continues to be impressive, again responding to Gorbachev's heavy emphasis on discipline. Meat production is up 8%. Reflecting the crackdown on alcohol, fruit juice production is up 47% and non-alcoholic drinks are up 41% over the period a year ago.

Although again it is a figure with ambiguous meaning, the Soviets report that industrial production for the whole seven months is up 5.4%.

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CURRENCY FIGURES

Rubles Purchased Per 100	July 1986	Aug 1986
Austrian shilling	4.56	4.69
UK pound	104.55	100.89
FRG mark	32.05	32.99
US dollar	69.50	67.85
French franc	10.03	10.14
Japanese yen	.433	.442
Italian lira	.0467	.0480
Swiss franc	39.46	40.97

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THE CHERNOBYL CONFERENCE

This will be the last notice of the conference to be held on the events at Chernobyl. A copy of the program and an application form is enclosed. Dr. Gale has indicated he will try to come, but there is an outside chance that he might be in Moscow at the time. We should know later in the month, but not in time to include in this newsletter. He has indicated however, that if he is not in Moscow, he will join us.

Morris Rosen will also be coming, along with Richard Wilson, who was also in attendance at the special briefing provided by the Soviets in Vienna. They should be able to give us some additional insights.

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CONFERENCE FOR JOURNALISTS

The Russian Research Center will hold its fourth conference for journalists on November 10, 1986 (Monday), at the Harvard Faculty Club, 20 Quincy Street in Cambridge.

We are planning this conference in anticipation of a summit meeting. We are also expecting that Nicholas Daniloff will be released from Soviet prison and will be able to join us as he indicated he would before his arrest. With or without the summit, the discussion of his experiences should be interesting. We have enclosed a copy of the program and an application form for the briefing. This conference is intended primarily for journalists and those involved with communications.

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THE RUSSIAN RESEARCH CENTER takes no official stand on any economic or political trend. The views and analyses expressed in this Newsletter are those of the authors directly associated with the article, or unless otherwise stated, with those of the editors, Marshall I. Goldman and Catherine Reed. RRC @ 1986

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THE NEW YORK TIMES, SUNDAY, SEPTEMBER 7, 1986

Forum

FOLLOWING CHINA'S EXAMPLE?

Gorbachev Finds an Ally in Capitalism

By MARSHALL I. GOLDMAN

PARTLY stymied in his straightforward attempts to reform and modernize the Soviet economy, Mikhail Gorbachev has recently begun to unveil a backdoor strategy. While still in its earliest stages, the plan seems to involve exposing Soviet enterprises to the international economy through joint ventures with Western companies and through greater Soviet participation in the international economic establishment. By exposing Soviet industry to the ways of the capitalist world, Mr. Gorbachev hopes to stimulate productivity growth and the speedier mastery of world technology.

The new policy marks an abrupt break with the past. For years, Soviet authorities have attacked such institutions as the General Agreement on Tariffs and Trade, the International Monetary Fund and the World Bank as instruments of imperialist and American domination. Now, they have come around to acknowledging the occasional merit of these organizations and hinted that it might be nice if the Soviet Union were allowed to join. Specifically, the Russians have asked for observer status at the GATT meetings, which convene Sept. 15 at Punta del Este, Uruguay.

The Kremlin's sudden interest in GATT and the other global institutions suggests how serious some Soviet officials are about reforming the Soviet economy. Nor is this all. At about the same time that they were seeking to attend GATT, Soviet trade officials agreed to reduce petroleum exports to Western Europe by 100,000 barrels a day.

The cutback is a concession the Russians have always refused to make to OPEC. And because the Soviet Union has so often been a de-

stablizing force in the spot oil market, the gesture itself has helped push up oil prices, even though it represents less than 10 percent of the country's normal exports to Western Europe. Soviet officials have evidently come to appreciate that, under some circumstances, less may actually mean more — particularly if by showing restraint, the increase in oil prices more than compensates for the reduction in crude exports.

Equally intriguing is the Kremlin's decision of Aug. 14 to authorize the creation of joint ventures. There are reports that the Soviet Union has already created such operations with the Bulgarians. In a speech in Vladivostok on July 28, Mr. Gorbachev extended the invitation to the Japanese. The Finns have also been approached, and even some American corporations are considering opening up some jointly run food-processing operations.

Mr. Gorbachev has also indicated a willingness to open up the city of Vladivostok, long closed to foreigners because it is also the site of one of the Soviet Union's most sensitive military bases. Now he hints that it may become a "major international center ... a seat of trade and culture ... an open window to the East." He did not specifically mention "special trade zones," such as those established by the Chinese, but his vision certainly suggests something similar.

These new initiatives apparently were undertaken after Mr. Gorbachev encountered severe opposition to his domestic campaign for economic reform. That effort has run head-on into bureaucratically bound planners, ministers, party officials and industrial functionaries who are doing their best to resist change. In a fit of frustration, Mr. Gorbachev complained recently that he was having problems with those who "want to dim our eyes and obstruct our progress." There are "among us," he went on, "people who have difficulty grasping the word restructuring and sometimes they have difficulty even pronouncing it."

BY working through the international sector, Mr. Gorbachev will outflank the several dozen industrial ministers and ministries that command various aspects of domestic economic affairs and will face only the Ministry of Foreign Trade. Right now that ministry is not up to its usual fighting form. It has suffered a major turnover of personnel, and those who have not been retired, fired, jailed or subjected to audit for possible corruption are probably intimidated enough to stand aside for reforms that in a different era would have been opposed with vigor.

Thus, the push for more international contact will encounter relatively little entrenched opposition. Under Mr. Gorbachev's prodding, the Russians have decided to institutionalize the effort and have created a new International Economic Department in the Ministry of Foreign Affairs. To head the department, Mr. Gorbachev has picked an unusually imaginative and sophisticated economist with the unlikely name of Ivan Ivanov.

Until recently the deputy director of the Institute for World Economics and International Relations, Mr. Ivanov has made frequent visits to the West and has always impressed those who have met him with his knowledge and understanding of both the Soviet and American economic systems. He also has a keen sense of what Soviet leaders must do if they are to resolve their economic difficulties. What is striking is how much of what is happening now is what he has advocated previously.

As far as I can tell, Mr. Ivanov was one of the first Soviet scholars to argue that the Soviet Union should join GATT. He did that two years ago at a meeting that surprised his Soviet colleagues even more than it did the American participants. He has also suggested that the Soviet Union should join the International Monetary Fund and the World Bank (which might also be a way for the Soviet Union to gain most favored nation status, since membership in the two organizations normally brings with it that trade privilege). He has even given thought to making the Soviet ruble convertible.

However, Mr. Ivanov's success in transforming his theoretical musings into concrete action is far from assured. Opposition will rise in direct proportion to the degree of economic interaction, as Soviet industries feel pressured to modernize their operations and as foreigners gain more freedom of movement within the Soviet Union.

Naturally, the Soviet Union cannot act unilaterally on these matters. It is far from clear whether the United States or other Western nations would allow it into our Western clubs. There are sure to be strongly voiced concerns that, in pointed contrast to the United Nations, organizations such as GATT, the International Monetary Fund and the World Bank have functioned as well as they have only because of Moscow's absence.

However far the Russians decide to go, and however much we decide to encourage them, these new initiatives are nonetheless remarkable for their daring and the willingness of Soviet leaders to re-examine past dogmas. The odds are that opposition within the Soviet Union and resistance in the West will prevent the Soviet Union from achieving all that someone like Mr. Ivanov would prefer. Nevertheless, the process of proposing and implementing this historic policy shift will be fascinating to follow. ■

Marshall I. Goldman, professor of economics at Wellesley College, is author of the forthcoming "Gorbachev's Challenge: Economic Reform in the Age of High Technology."

BALANCE OF TRADE - 1st QUARTER OF 1981, 1982, 1983, 1984, 1985, 1986

(Million Rubles)

	EXPORTS FROM THE USSR						IMPORTS TO THE USSR					
	1981	1982	1983	1984	1985	1986	1981	1982	1983	1984	1985	1986
Austria	189	196	149	167	142	155	137	119	188	230	166	236
Belgium	105	280	230	194	178	143	125	198	152	142	149	156
Great Britain	148	219	227	307	252	246	300	169	208	183	166	150
Greece	99	121	36	84	107	47	30	37	35	32	27	18
Denmark	31	94	68	60	61	34	108	29	19	36	21	42
Spain	65	30	68	54	47	13	131	61	84	65	107	61
Italy	474	589	745	721	388	334	247	292	392	294	302	293
Netherlands	189	317	378	371	103	107	158	142	129	58	68	70
Norway	20	9	10	29	10	10	20	17	18	27	15	24
Germany	477	1001	851	1119	773	862	722	744	940	800	838	786
France	485	471	432	572	407	361	468	348	491	473	509	428
Switzerland	15	87	139	83	71	89	181	118	121	90	134	135
Sweden	30	66	116	129	83	66	105	101	72	67	79	65
Japan	201	187	196	195	208	230	609	801	654	520	570	577
SUBTOTAL	2528	3667	3645	4058	2830	2697	3391	3176	3503	3017	3151	3041
Sub-Balance of Trade							-863	+491	+142	+1041	-321	-344
U.S.A.	12	23	54	83	75	71	573	980	526	580	1005	507
Canada	17	7	4	3	6	3	137	148	243	86	84	124
Australia	2	2	1	5	1	3	252	130	202	137	202	206
New Zealand	1	2	1	1	--	1	50	109	88	22	23	36
Argentina	12	8	7	6	12	26	349	310	367	323	296	59
Brazil	2	44	4	42	24	21	138	148	93	161	57	92
TOTAL	2574	3753	3716	4225	2948	2822	4890	5001	5022	4326	4818	4065
Balance of Trade							-2316	-1248	-1306	-101	-1870	-1243